

Dear {CONTACT.SALUTATION}

FABAL bid for NVFAL

As we discussed with you via email on 21st December 2021, FABAL was awaiting a response from ASIC on its proposed offer to merge NVFAL and FABAL. ASIC and FABAL worked very hard to find a solution to allow ASIC to make their determination on its direction before the holiday break.

Late on the 24th of December 2021, ASIC determined that they now require FABAL to complete a half year audit as at 31 December 2021 before continuing with the bid. While FABAL Directors have made numerous representations to ASIC to explain why an audit is not relevant in the particular circumstances of this bid, ASIC did not accept FABAL's proposition, and so now it must comply with ASIC's determination.

What is the effect on NVFAL and FABAL being requested to do this additional audit?

As far as it concerns each of our shareholders, FABAL will not be able to continue this bid for another 3 months as it will be approximately 31 March 2022 before the audit by Ernst Young ("EY") is completed.

We have been advised by the FABAL CEO, Chris Day (who is also one of our directors), that FABAL is committed to working with NVFAL to merge the two entities. FABAL also wish to continue their bid to merge with MEL at a similar time.

Accordingly, FABAL will arrange to complete their audit for the 6 months ending 31 December 2021 and have a comparison Balance Sheet prepared for 30 June 2021. Also, FABAL will have a half year Profit & Loss/Income Statement and comparison statement for the year ended 30 June 2021 completed. The previous year financial statements are not expected by FABAL to change from those already published in their latest annual report which was recently published in late November 2021 (see www.fabal.com.au if you wish to review this annual report).

Why are FABAL being requested to do this additional audit?

Prior to 30 September 2021, FABAL was a private company (e.g. Pty Ltd) and was not required by law to audit its accounts. It had less than 50 shareholders and was not a large proprietary company.

ASIC recognised that FABAL was converted to an unlisted public company on 19 November 2021 so that it could make a bid for each of MEL and NVFAL and allow its shareholder base to expand beyond 50. So, from 19 November 2021, it is now required

to be audited and on this basis ASIC has requested an audit to be completed before allowing these offers to continue.

As you are aware, EY are also auditors to NVFAL (and MEL) so there should be consistency between the format, layout and understanding for each of these audits and reviews.

What's next?

We are advised by FABAL that ASIC has assured them that it does not wish to stand in the way of the bid proceeding once this audit/review process is completed.

ASIC will review the Bidder's Statement as soon as it is re-lodged by FABAL, which is expected to be in mid-April 2022. If the Offer proceeds as originally planned, Directors of NVFAL will send you a statement called a Target's Statement, including BDO's Independent Expert's Report with recommendations for you to consider. This BDO work has already been completed in draft and will be finalised after the final Bidder's Statement is received from FABAL. Currently, we are unable to share our views and those of BDO until the Bidder's Statement is accepted by ASIC.

In the revised Bidder's Statement, FABAL will update the abridged individual and combined balance sheets of FABAL and NVFAL with December 2021 audited numbers to replace the September 2021 unaudited management accounts that were included in the original Offer document. The full FABAL audited financial statements will be available to all shareholders in the new year once EY complete their audit and review.

What happens if ASIC don't approve the revised Offer document?

If ASIC don't approve the revised Offer document, the boards of NVFAL and FABAL (and most likely MEL) will discuss possible alternatives to merge our groups in another way.

Conclusion

At this point we are waiting for FABAL to undertake the required audit and provide us and ASIC with a revised Bidder's Statement. If all timing is as expected, the target date for submitting it to ASIC is in mid-April 2022, and after the statutory period of 14 days for ASIC's review, it should be circulated to all NVFAL shareholders before the end of April 2022.

If the bid then proceeds as timetabled, the offer will be open for between 6 and 10 weeks, but in any event it will be completed before 30 June 2022.

We remain committed to obtain the best result for our NVFAL shareholders. If a superior or alternative offer materialises for NVFAL during the next 6 months, we will present this to all shareholders.

If you would like further information now, please contact Irene Kamm or Chris Dundon at FABAL on (08) 8132-5500. They will be back in the FABAL office from 4 January 2022.

Yours sincerely,

Brian Bengler

Lead Director

National Vineyard Fund of Australia Limited